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SUBJECT: BOLIVIA: BRAZIL'S LULA BACKS MORALES FOR
RE-ELECTION

Classified By: Charge d'Affaires John Creamer, reasons 1.4 b,d

¶1. (C) Summary: At an open-air event August 22 in one of Bolivia's principal coca-growing regions, Brazilian President Lula da Silva delivered a public endorsement of Bolivian President Evo Morales, reflecting Brazil's conclusion that Morales' re-election is all but inevitable. Lula and Morales signed several bilateral agreements, including over 300 million dollars in Brazilian financing for Bolivian road construction, and began discussions to revise their gas contract to reflect lower Brazilian demand. Lula offered to eliminate tariffs on up to 21 million dollars of Bolivian textile exports, a move hailed by both sides as compensation for export losses stemming from removal of U.S. ATPDEA trade preferences. Lula and Morales discussed counter-narcotics cooperation, including the pending transfer of Bell-UH helicopters to Bolivia, and the upcoming Unasur summit review of the U.S.-Colombian defense agreement (with Morales more worked up about the issue than ever, despite Lula's emphasis on dialogue). The Brazilian president queried Morales privately about his relations with the U.S., which prompted a lengthy anti-American diatribe. End summary.

¶2. (C) Presidents Lula and Morales met August 22 amid a festive atmosphere in Bolivia's Chapare region, a major coca-growing center and Morales' home base. With at least 10,000 cocaleros and other Morales supporters in attendance, the two presidents took turns lavishing praise on each other; Morales hailed Lula as a fellow man of the people, while Lula compared Morales to Nelson Mandela. At the stadium event, which resembled a campaign rally as much as a summit meeting, the Brazilian president declared that Morales had begun a new era, confronting the anger of the "powerful," but also counseled his counterpart to govern on behalf of all Bolivians and to favor dialogue.

¶3. (C) Those gathered at the event witnessed the signing of four bilateral agreements, among them one establishing over 300 million dollars in Brazilian financing for a 300 km highway extending north from the meeting site (which will be constructed by the Brazilian firm OAS). The other agreements concerned enhanced cooperation in humanitarian assistance/disaster relief, professional education, and scientific research aimed at developing lithium reserves in Bolivia's Uyuni salt plain (with an explicit provision that industrial development will be "100 percent Bolivian").

14. (C) The Bolivians highlighted their interest in amending their current gas contract with Brazil, hoping to revise the minimum purchase quantities (currently at 24 million cubic meters per day) given reduced Brazilian demand. According to the Bolivian state gas entity YPFB and the Brazilian embassy here. Bolivia prefers an arrangement that better reflects Brazil's actual requirements, which would free up gas for domestic needs and possible additional sales to Argentina. Presidents Lula and Morales reached no conclusions on gas (the Brazilians did not include their energy representatives in the August 22 meetings), but agreed to hold another bilateral summit in the next two-to-three weeks in Brazil, dedicated entirely to the energy issue.

15. (C) President Lula announced that Brazil will eliminate tariffs on up to 21 million dollars of Bolivian textile exports, which both he and Morales characterized as making up for the losses suffered by withdrawal of ATPDEA (Morales welcomed the offer as an "ATPDEA without conditions"). Although Lula claimed that the amount was exactly what was lost in U.S. trade, textile trade associations here quickly noted that their exports under ATPDEA were several times greater than that (65 million dollars was the most commonly-cited estimate, which tracks roughly with our figures), and that there's no Brazilian market for heavy wool alpaca textiles. Nevertheless, the offer made big headlines here, allowing both presidents to draw a contrast between the treatment Bolivia receives from us and the "unconditional" friendship Bolivia enjoys with fellow South American states such as Brazil.

16. (C) We spoke with Brazilian embassy officials here in advance of the visit to encourage some helpful signal of caution from President Lula to Morales regarding the Bolivian's approach to the United States. These officials said that Brazil sees an improved relationship between Bolivia and the U.S. as in its own interest, and pledged to do what they could to encourage more constructive Bolivian behavior. Still, they noted that Brazil wants to maintain stability on its borders, and has concluded that Morales is here to stay. They said Brazil wants to provide Morales with alternatives to the radical advice he is receiving from Venezuela and Cuba, but clarified that Brazil does not see itself in "direct competition" with Venezuela. The Brazilians added that while they engage the Bolivians on democracy issues, they do not consider Bolivia's human rights or democracy record to be outside hemispheric norms.

17. (C) Brazilian embassy Minister Counselor Julio Bitelli confirmed for us that President Lula did raise with Morales the issue of Bolivian-U.S. relations (in the 40-minute car ride on the way to the public event), but that this prompted the "usual" extended rant against alleged U.S. crimes. Morales recalled his own personal victimization at the hands of DEA agents, railed against American hegemony in Latin America and appeared unreceptive to hearing any counsel, according to Bitelli. Morales expanded on these now-familiar themes in his public remarks. The Colombian defense agreement was another subject on which Lula appeared to make little headway; the Brazilian president emphasized the need for dialogue and a "frank exchange" on the issue at the upcoming Unasur summit, while Morales publicly declared that any government that allows military forces into their country are "traitors to the liberation of the people of Latin America."

18. (C) Bitelli reported that the presidents did discuss counter-narcotics cooperation, another area in which we had encouraged greater Brazilian engagement with the Bolivians, but that the talks were limited to equipment issues. Lula explained to Morales that the Bell-UH helicopter transfer was proceeding apace, but that delivery is pending Brazilian parliamentary approval. Bitelli said that Morales asked for Brazilian Tucano aircraft as well, surprising the Brazilians by suggesting that "the international community" should pay for the planes, as counter-narcotics is "a global problem."

Bitelli allowed that the Brazilians did not think much of that suggestion.

¶9. (C) Comment: Brazilian President Lula's visit was widely seen here as an endorsement of Evo Morales for reelection December 6, reflecting Brazil's conclusion that Morales is all but certain to win in any case. We believe, however, that this embrace of Morales is tempered by a clear-eyed recognition of the Morales government's many shortcomings (the Brazilians indicated that they share a great deal of our frustration with the Bolivians, from counter-narcotics to economic policy). We will continue to encourage Brazil to follow through on its expressed interest in helping to moderate Morales, despite the evident limits of such approaches.

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